PREPARED REMARKS OF KENNY MERCADO
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Joint House Hearing – House Energy Resources / House State Affairs Committees

February 13-20, 2021 – Texas / ERCOT Winter Storm Event

Good Morning (Afternoon), Mr. Chairman (Chairmen) and Members. My name is Kenny Mercado and I am the Executive Vice President of the Electric Utility for CenterPoint Energy (CNP). CenterPoint Energy maintains the wires, poles and electric infrastructure serving 2.6 million metered customers in the greater Houston area. CenterPoint Energy's Texas electric utility business is headquartered in Houston. I would like to begin by first acknowledging the severity of this historic weather emergency and the devastating toll it has taken on fellow Texans, our customers and our communities.

As mentioned, in Texas, CenterPoint is an electric delivery only company – we cannot currently own generation. Regarding the recent winter storm event, I want to emphasize that our infrastructure held up well and CNP was prepared to respond with a full contingent of internal crews and external contractors. To help you understand the difficulties we faced, I want to cover a timeline of events that I think would be helpful to you as you gather information.

As a significant winter weather event was being forecasted for Sunday, February 14th, with the main threat being ice and wind, we started holding our Incident Command meetings on Thursday, February 11th. The Electric Reliability Council of Texas (ERCOT) was forecasting a record winter weather peak load of approximately 75,000MW, making it also a potential generation adequacy event. ERCOT communicated on Saturday, February 13th, that up to a 7,500MW generation shortfall could occur, of which CNP's potential curtailment portion could be 1,875MW under the current criteria. Based on this projection, our real time operations (RTO) team was well-prepared to handle the anticipated load shed with our automated system. We stood up our Incident Command Center on Sunday the 14th and it was manned 24 hours a day through the duration of the generation shortage, with additional coverage continuing through Saturday. In preparation, we had 2,500 internal and contractor resources on 16-hour

shifts and were engaging our Mutual Assistance groups to acquire additional resources as needed.

Late Sunday the 14th, ERCOT system conditions quickly deteriorated beyond what had originally been predicted as generation became constrained and ERCOT load continued to rise and at 12:17 a.m. February 15th, ERCOT issued their first emergency order regarding the potential for load curtailment. Early Monday morning, at approximately 1:25 a.m., ERCOT issued the first load shed Operating Instruction of 1,000MW, of which CNP's share was approximately 25% or 250MW, as determined by ERCOT Operating Guides. Following that initial ERCOT order, twelve more load shed orders, and one restore order, were received between 1:30 a.m. and 8:00 a.m. At that time, 16,500 MW had been ordered to shed across ERCOT, of which approximately 4,100MW were in CenterPoint's service area. Due to the volume and rapid succession of these load shed orders, by 2:24 a.m., CNP could no longer automatically rotate customer outages on our system. Our internal experts understood that the entire ERCOT grid was on the brink of collapse and that we were in a grave and unprecedented event. With that knowledge and as part of our emergency plans, crews were dispatched in hazardous, icy conditions to man the "black start path" substations in the event of a catastrophic system failure. CNP account teams began reaching out to industrial and commercial customers to ask them to conserve as much energy as possible. The operations and engineering teams devised and evaluated options to curtail dedicated underground areas and identified a method to manually isolate critical loads, such as the Texas Medical Center and area hospitals, so that additional non-critical loads would be available for curtailment. With the potential for long duration outages, and no ability to automatically rotate outages, our experts began formulating a process to safely rotate outages while preserving the safety and stability of the grid. As those plans were being developed on Monday, three more ERCOT orders to restore load were received and executed by CNP. ERCOT began issuing curtailment orders again the evening of the 15th at 5:20 p.m. By 6:45 p.m., four additional ERCOT orders were executed and 20,000 MW had been shed across ERCOT, with approximately 4,950 MW shed in our territory alone.

Four new ERCOT restoration orders came in after midnight, or early Tuesday morning, and they were followed by three more orders to shed load. At 8:00 a.m. on the morning of Tuesday, February 16th, 19,500 MW of load had been shed across ERCOT, and approximately 4,550 MW in CenterPoint's footprint. With the grid in such an unstable state, at approximately 9:30 a.m., CenterPoint implemented the plan to isolate critical loads, such as hospitals, and curtail non-critical loads, which provided about 30 MW of capacity to help stabilize the grid. CenterPoint began manual load rotation at approximately 1:30 p.m. on Monday. This innovative but challenging process required manual intervention to maintain the integrity and stability of the grid and continued until the last load restore Operating Instruction was received from ERCOT on Wednesday the 17th, just before midnight. At approximately 1:30 p.m. on Tuesday, CenterPoint implemented automated four-hour rotating outages for all circuits that could be energized using automation. On Wednesday from about 10 a.m. until midnight, we executed 15 ERCOT orders and restored 3,472 MW of load within our service area. Throughout this unprecedented event, CenterPoint received and executed 59 total orders from ERCOT to shed or restore load.

At the peak of the load shed event, approximately 1.4 million customers were out in CenterPoint's territory alone. By Thursday morning the 18th and within six hours of sufficient generation being restored, customer outages were reduced to approximately 47,000 without power. On Friday morning the 19th, customer outages were reduced to approximately 5,000. By the morning of Saturday, the 19th, CNP was back to normal operations. Throughout this event, the CenterPoint Energy transmission and distribution system withstood the extreme weather and extraordinary demands of this load shed event. By Friday evening, February 19th, CNP workers had replaced over 1,000 residential pad mounted transformers and substantially restored all service to our customers, including our industrial customers that were ready and had the ability to restore their operational loads. On Saturday the 20th, with adequate generation resources online and our system operating and serving our customer load, we sent mutual assistance contractors to support Oncor and Austin Energy.

A key imperative during this event was to provide open, frequent, and transparent communication with our customers. During this event, I personally conducted 35 interviews with local media outlets to educate the audience, make everyone aware of the seriousness of the situation and spread the message that conservation was essential. The conservation message, in addition to the efforts of our key accounts teams that were reaching out to customers to enlist their help in the conservation effort, likely prevented us from having to make deeper load reductions. We utilized other channels to share these messages with our customers as well. During the event, we issued 11 press releases, responded to 150 media requests and interviews, posted 86 times on Facebook and used Twitter to send 272 tweets.

To our employees, I offer my most sincere appreciation. We also owe a debt of gratitude to our customers for their patience and conservation efforts during this event. We owe it to our customers to use this experience as an opportunity to improve and take proactive measures to avoid an event like this happening again. This concludes my prepared remarks. I would be happy to answer any questions.